

TO: Board Members, TWDB

THROUGH: Jeff Walker, Executive Administrator
Les Trobman, Office of General Counsel

FROM: Rebecca Trevino, Chief Financial Officer

DATE: October 20, 2016

SUBJECT: Texas Water Resources Finance Authority Transfer.

ACTION REQUESTED

Consider requesting by resolution, payment of additional consideration from the Texas Water Resources Finance Authority (TWRFA) Revenue Fund to the Texas Water Development Board (TWDB) in a total amount not to exceed \$2,834,658.

BACKGROUND

In 1989, the TWRFA issued its Series 1989 Revenue Bonds and used the proceeds to acquire from the Texas Water Development Board its portfolio of political subdivision bonds and entered into a Portfolio Sale and Servicing Agreement with the TWDB. In 1999, this Agreement was amended in conjunction with the TWRFA’s refunding of the Series 1989 Bonds. In 2012, with the payment of all of the TWRFA bonds in full, and as provided by Texas Water Code Sections 20.045 and 20.075, the TWRFA and TWDB have entered into a new Portfolio Sale and Servicing Agreement (Agreement) under which the TWDB acts as servicing agent for the TWRFA assets and provides for payment of additional consideration for the acquisition of the TWDB’s Portfolio of Political Subdivision Bonds.

Section 2.02(a) of the Agreement provides that upon written request from time to time by the TWDB, the TWRFA will transfer and pay the requested amount to TWDB as agreed. Section 2.02(c) of the Agreement allows the TWDB to use the payments:

- to discharge, pay or redeem, any of the TWDB’s outstanding bonds;
- to pay debt service or satisfy the reserve requirement; or
- for any other lawful purpose.

Texas Water Code Section 17.075 provides that money from authorized sources shall be credited to the Administrative Fund in amounts sufficient to pay the administrative expenses of the TWDB, as authorized by legislative appropriation. Texas Water Code Section 17.0871(g)

provides that money from the sale not applied to discharges, payments or redemptions shall be deposited to the Development Fund, Administrative Fund, Water Assistance Fund or Agricultural Water Conservation Fund to be used for the purposes provided by law.

KEY ISSUES

The Executive Administrator is requesting a payment not to exceed \$2,834,658 from TWRFA to be used by TWDB. Estimated uses of the funds include the following:

- Funding of ongoing TWDB operations \$2,834,658

The ultimate use of the funds may change based on budgetary adjustments.

Analysis of the cash flows as of August 31, 2016, provided as Attachment 2, demonstrates that in FY 2017 there will be approximately \$15.7 million remaining after consideration of the \$2,834,658 payment transfer request from the TWDB. The cash flows do not take into consideration the potential for prepayments.

RECOMMENDATION

The Executive Administrator recommends requesting a payment of additional consideration from the TWRFA not to exceed \$2,834,658 to be used by the TWDB. This recommendation has been reviewed by legal counsel and is within both the TWDB's and TWRFA's legal authorities.

Attachment(s): 1 – Resolution (16 -)
 2 – TWRFA cash flow analysis as of August 31, 2016

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
REQUESTING THE TRANSFER FROM
THE TEXAS WATER RESOURCES FINANCE AUTHORITY OF A PAYMENT OF ADDITIONAL
CONSIDERATION NOT TO EXCEED
\$2,834,658 FOR FISCAL YEAR 2017

(16-)

WHEREAS, in 1989, the Texas Water Resources Finance Authority (TWRFA) issued its Series 1989 Revenue Bonds (Series 1989 Bonds) and used the proceeds to acquire from the Texas Water Development Board (TWDB) its portfolio of political subdivision bonds (Portfolio) and entered into a Portfolio Sale and Servicing Agreement with the TWDB which stated the terms and conditions relating to the acquisition of the Portfolio and the servicing of the Portfolio by the TWDB; and

WHEREAS, in 1999, in conjunction with the TWRFA's refunding of the Series 1989 Bonds, the TWDB and the TWRFA entered into an Amended and Restated Portfolio Sale and Servicing Agreement which set forth the terms and conditions relating to the continued servicing of the TWRFA's Portfolio; and

WHEREAS, the TWDB and the TWRFA entered into a Portfolio Sale and Servicing Agreement dated September 20, 2012 (Agreement); and

WHEREAS, Section 2.02(a) of the Agreement provides that during the course of a fiscal year the TWRFA, at the written request from time to time by the TWDB, shall pay to the TWDB the amount requested by the TWDB as additional consideration for the acquisition of the Portfolio, which shall be transferred and paid to the TWDB as agreed; and

WHEREAS, pursuant to Section 17.0871(g), Texas Water Code, the money received by the TWDB as a payment of additional consideration may be deposited into the development fund, the administrative fund, the water assistance fund, or the agriculture water conservation fund as appropriate, to be used for the purposes provided by law; and

WHEREAS, pursuant to Section 17.075, Texas Water Code, money from authorized sources may be credited to the administrative fund in amounts sufficient to pay the administrative expenses of the TWDB, as authorized by legislative appropriation; and

WHEREAS, the TWDB may request that the TWRFA transfer funds from the TWRFA's Revenue Fund to the TWDB to be incurred in Fiscal Year 2017; and

WHEREAS, the TWDB finds that it is in the public interest to request said transfer of funds.

NOW, THEREFORE, based on said considerations and findings, the Texas Water Development Board requests the transfer not to exceed \$2,834,658 as payment of additional consideration from the Texas Water Resources Finance Authority's Revenue Fund to be used for the TWDB's administration, and research and planning on or before November 30, 2016.

APPROVED and ordered of record this the 2nd day of November, 2016

TEXAS WATER DEVELOPMENT BOARD

Bech Bruun, Chairman

ATTEST:

Jeff Walker
Executive Administrator

TEXAS WATER RESOURCES FINANCE AUTHORITY
 CASH FLOW
 AS OF AUGUST 31, 2016

Operational Minimum DSC: N/A
 Lowest DSC this period: N/A

Fiscal Year (1)	Revenue Fund Balance & Prior Year's Ending Balance	Loan Receipts 9/1 - 6/30 (2)	Scheduled Income From Government Obligations 9/1 - 6/30 (3)	Investment Projections (4)	Total Existing Debt Service (5)	Balance	Projected Transfer to Operating Fund For Portfolio Expenses	Balance after Minimum Debt Service Requirement & Projected Portfolio Expenses	Future Payments (6)	Balance	Loan Receipts 7/1 - 8/31	Scheduled Income From Government Obligations 7/1 - 8/31	Net Balance
2017	\$17,982,923	\$76,427	\$1,842	\$36,975		\$18,098,168	-	\$18,098,168	\$2,834,658	\$15,263,510	\$416,427	\$1,842	\$15,681,780
2018	15,681,780	70,103	1,842	-	-	15,753,726	-	15,753,726		15,753,726	423,103	1,842	16,178,672
2019	16,178,672	63,538	1,842	-	-	16,244,052	-	16,244,052		16,244,052	430,538	1,842	16,676,432
2020	16,676,432	56,711	1,842	-	-	16,734,985	-	16,734,985		16,734,985	437,711	1,842	17,174,539
2021	17,174,539	49,625	1,842	-	-	17,226,006	-	17,226,006		17,226,006	445,625	23,842	17,695,474
2022	17,695,474	42,259	1,008	-	-	17,738,740	-	17,738,740		17,738,740	453,259	27,008	18,219,007
2023	18,219,007	34,615	-	-	-	18,253,622	-	18,253,622		18,253,622	461,615	-	18,715,236
2024	18,715,236	26,672	-	-	-	18,741,909	-	18,741,909		18,741,909	469,672	-	19,211,581
2025	19,211,581	18,433	-	-	-	19,230,014	-	19,230,014		19,230,014	1,009,433	-	20,239,446
2026	20,239,446	-	-	-	-	20,239,446	-	20,239,446		20,239,446	-	-	20,239,446
2027	20,239,446	-	-	-	-	20,239,446	-	20,239,446		20,239,446	-	-	20,239,446
2028	20,239,446	-	-	-	-	20,239,446	-	20,239,446		20,239,446	-	-	20,239,446
2029	20,239,446	-	-	-	-	20,239,446	-	20,239,446		20,239,446	-	-	20,239,446
2030	20,239,446	-	-	-	-	20,239,446	-	20,239,446		20,239,446	-	-	20,239,446
2031	20,239,446	-	-	-	-	20,239,446	-	20,239,446		20,239,446	-	-	20,239,446
2032	20,239,446	-	-	-	-	20,239,446	-	20,239,446		20,239,446	-	-	20,239,446
2033	20,239,446	-	-	-	-	20,239,446	-	20,239,446		20,239,446	-	-	-
2034	-	-	-	-	-	-	-	-		-	-	-	-
2035	-	-	-	-	-	-	-	-		-	-	-	-
2036	-	-	-	-	-	-	-	-		-	-	-	-
2037	-	-	-	-	-	-	-	-		-	-	-	-
2038	-	-	-	-	-	-	-	-		-	-	-	-
2039	-	-	-	-	-	-	-	-		-	-	-	-
2040	-	-	-	-	-	-	-	-		-	-	-	-
2041	-	-	-	-	-	-	-	-		-	-	-	-
2042	-	-	-	-	-	-	-	-		-	-	-	-
2043	-	-	-	-	-	-	-	-		-	-	-	-
2044	-	-	-	-	-	-	-	-		-	-	-	-
2045	-	-	-	-	-	-	-	-		-	-	-	-
2046	-	-	-	-	-	-	-	-		-	-	-	-
2047	-	-	-	-	-	-	-	-		-	-	-	-
2048	-	-	-	-	-	-	-	-		-	-	-	-
2049	-	-	-	-	-	-	-	-		-	-	-	-
2050	-	-	-	-	-	-	-	-		-	-	-	-
2051	-	-	-	-	-	-	-	-		-	-	-	-
2052	-	-	-	-	-	-	-	-		-	-	-	-
2053	-	-	-	-	-	-	-	-		-	-	-	-
2054	-	-	-	-	-	-	-	-		-	-	-	-
2055	-	-	-	-	-	-	-	-		-	-	-	-
2056	-	-	-	-	-	-	-	-		-	-	-	-
2057	-	-	-	-	-	-	-	-		-	-	-	-
2058	-	-	-	-	-	-	-	-		-	-	-	-
2059	-	-	-	-	-	-	-	-		-	-	-	-
2060	-	-	-	-	-	-	-	-		-	-	-	-
		\$438,383	\$10,220	\$36,975							\$4,547,383	\$58,220	

(1) The Texas Water Resources Finance Authority's fiscal year runs from 9/1 to 8/31.
 (2) Represents loan receipts received from September 1st through June 30th to be used for debt service.
 (3) Represents scheduled income from Government Obligations received from September 1st through June 30th to be used for debt service.
 (4) Represents the total income available from investment projections based on current fund balances.
 (5) TWRFA has no debt outstanding.
 (6) Represents Future Payments expected to be transferred by the Texas Water Resources Finance Authority to the Texas Water Development Board pursuant to the Portfolio Sale and Servicing Agreement.